# U.S. OFFICE OF PERSONNEL MANAGEMENT
# OFFICE OF THE INSPECTOR GENERAL
# OFFICE OF EVALUATIONS

# Final Evaluation Report

## EVALUATION OF THE U.S. OFFICE OF PERSONNEL MANAGEMENT'S PROCESSING OF INITIAL RETIREMENT CLAIM APPLICATIONS

**Report Number 2023-OEI-001**
**November 15, 2023**

-- CAUTION --

# EXECUTIVE SUMMARY

*Evaluation of the U.S. Office of Personnel Management's*
*Processing of Initial Retirement Claim Applications*

## Why Did We Conduct the Evaluation?

The Retirement Services within the U.S. Office of Personnel Management (OPM) is responsible for the administration of the Federal Retirement Program covering nearly 2.8 million active employees, including the United States Postal Service, and more than 2.7 million annuitants, survivors, and eligible family members.  Delays in processing initial retirement claim application packages for federal employees have been a long-standing problem.  As a result, we sought to determine what: (1) progress Retirement Services has made in improving the timeliness of initial retirement claims processing since the Government Accountability Office report and (2) obstacles do the Retirement Services office continue to face in meeting its timeliness and inventory goals for processing initial retirement claim applications.

## What Did We Find?

In May 2019, the Government Accountability Office (GAO) issued a report titled, **FEDERAL RETIREMENT**:  **OPM Actions Needed to Improve Application Processing Times** (GAO-19-217).  In this report, OPM identified three main causes of the continued delays in retirement application processing: (1) reliance on a paper-based application, (2) insufficient staffing, and (3) incomplete applications.  The GAO report focused on analyzing these root causes and issued six recommendations addressing the retirement application processing delays.

During our evaluation, we determined that:

1. Improvements are needed regarding Retirement Services' monthly *Agency Audit Report*.

2. Improved transparency is needed in reporting application processing times.

3.  Five of the six GAO recommendations remain open.

We made five recommendations to improve Retirement Services' operations in the processing of initial retirement claim applications.  Retirement Services' management generally concurred with our recommendations and indicated its corrective action plans.

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**William W. Scott, Jr.**
*Chief, Office of Evaluations*

# ABBREVIATIONS

| | |
|---|---|
| BOLD | Benefits Officer Liaison and Development |
| CHCO | Chief Human Capital Officers |
| FEGLI | Federal Employees' Group Life Insurance |
| FEHB | Federal Employees Health Benefits |
| FY | Fiscal Year |
| GAO | U.S. Government Accountability Office |
| HR | Human Resources |
| IT | Information Technology |
| OIG | Office of the Inspector General |
| OMB | Office of Management and Budget |
| OPM | U.S. Office of Personnel Management |
| RDS | Retirement Development Section |
| ROC | Retirement Operations Center |

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# INTRODUCTION

This final evaluation report details the results from our evaluation of the U.S. Office of Personnel Management's (OPM) processing of initial retirement claim applications. This evaluation was conducted by the OPM Office of the Inspector General (OIG), as authorized by the Inspector General Act of 1978, as amended.

Many federal employees look forward to the start of their retirement after years of public service. Many also rely on receiving the retirement benefits they earned to remain financially stable while they are no longer working. It is imperative for the federal retirement process to be timely and effective.

From start to finish, the submission and processing of a retirement application package is dependent upon four contributors: (1) the retiring employee, (2) the agency's Human Resources (HR) office, (3) the agency's payroll provider, and (4) OPM's Retirement Services. While Retirement Services is ultimately responsible for the timely processing of retirement application packages and issuing the final annuity payment, the employee, their agency's HR offices and payroll providers have important roles to ensure a complete and accurate retirement application package is submitted.

An employee should begin planning for retirement well before their anticipated retirement date. Allowing for adequate planning time allows an employee to obtain information on continued benefits and the documentation that will be required when submitting their retirement application package. This preparation can help prevent missing or discrepant information which could delay the retirement application process.

The transition to retirement starts with the employee initiating the retirement application and filing the paperwork with the employee's agency's HR office. Once the employee submits the application package to the agency's HR office, the agency has 32 days to submit the entire application package to Retirement Services for processing. The HR office has two main responsibilities:

> (1) providing guidance to the retiring employee, and

> (2) compiling required documentation and certifying that the employee has sufficient service to claim the annuity.

The HR office provides the following information to the retiring employee:

- How the application will be processed by Retirement Services;

- Future communications about the application status and providing the employee with email addresses and phone numbers to check the status of an application package; and

- Interim payments and any deductions that can be withheld from the final annuity.

The HR office also: (a) certifies and transfers the employee's coverage under the Federal Employees' Group Life Insurance (FEGLI) and Federal Employees Health Benefits (FEHB) programs to Retirement Services; (b) prepares the Certified Summary of Federal Service and Notification of Personnel Action; and (c) completes the Agency Checklist of Immediate Retirement Procedures and signs the retirement application. By signing the retirement application, the HR office certifies that complete and accurate information has been included in the application.

The HR office then submits the retirement application package to the agency's payroll provider. The agency's payroll provider: (1) authorizes the retiring employee's final paycheck including lump sum payment for unused annual leave; (2) prepares the Individual Retirement Record, which is used by Retirement Services to determine the retirement benefits payable to the retired employee and their survivors; (3) completes the payroll checklist and signs the application, certifying that complete and accurate information has been sent; and (4) sends the completed retirement application package to Retirement Services for processing.

Retirement Services performs the following activities upon receiving the initial retirement claim application package from the payroll provider: (1) receives and processes electronic information and the paper application; (2) completes an assessment of eligibility; (3) calculates and authorizes the interim annuity payment—automatically or manually, as needed; (4) obtains any missing information and documents; (5) adjudicates the retirement application package; (6) computes the amount of the annuity; (7) performs internal review/audit process to assure quality; and (8) authorizes recurring monthly annuity payments.

The Customer Service Specialists within the Retirement Services' Retirement Development Section (RDS) screen each non-disability application package for completeness. Retirement Services considers a "**healthy**" application package as one that contains no errors or missing information and is ready to proceed to the Annuity Processing Section for adjudication. However, an application package with missing or discrepant information is considered an "**unhealthy**" application package. If an application package is found to be unhealthy, the application package remains in RDS for further development. Development activities usually include contacting:

- A former employing agency for additional information;

- The retiree for a decision on a benefit election such as a service credit deposit or to obtain a document such as a marriage certificate; or

- Another agency, such as the Social Security Administration, if a benefit from that agency would impact the retirement claim.

These additional development activities can cause delays in the overall processing time.

Retirement Services has an internal standard for processing new retirement application packages within 60 days of receipt of the retirement application package and a goal of maintaining a stable inventory of unprocessed application packages of 13,000. The processing time starts when Retirement Services receives the retirement application package from an agency and/or payroll provider and ends with final adjudication and authorized payment.

Retirement Services reports the monthly average processing time and the inventory statistics on the OPM website under Retirement Statistics in a report called New Claims Processing. According to OPM's website, "this report provides historical data detailing key performance variables with average processing time presented in days." For the month of October 2023, the average processing time was 73 days, and the unprocessed inventory was 16,678.

The Retirement Services' Benefits Officer Liaison and Development (BOLD) team also publishes the *Agency Audit Report* on OPM's website. The *Agency Audit Report* reflects the number of non-disability retirement application packages processed by OPM, the associated error rates listed by the agency that had at least 15 cases reviewed in a specified month, as well as government-wide error rates. Retirement Services also compiles a more detailed monthly *Agency Audit Report* that the BOLD team distributes to agency Benefits Officers and payroll providers. The detailed report contains the audit results broken down by each agency (including whether the error was attributable to the HR or payroll office) who submitted application packages with errors. The audit results are processed on the fourth Friday of every month, and Retirement Services generally has four weeks' worth of data each month. According to Retirement Services officials, the monthly *Agency Audit Report* is for informational purposes and to assist agencies and payroll providers to improve the percentage of application packages submitted that are accurate and complete. In addition, Retirement Services analyzes the common error trends and uses this data to select potential topics for future Benefits Officer training sessions.

In May 2019, the U.S. Government Accountability Office (GAO) issued a report titled, **FEDERAL RETIREMENT: OPM Actions Needed to Improve Application Processing Times** (GAO-19-217). In this report, OPM identified three main causes of the continued delays in retirement application processing: (1) reliance on a paper-based application, (2) insufficient

staffing, and (3) incomplete applications.  The GAO report focused on analyzing these root causes, and GAO issued six recommendations addressing retirement application processing delays.  Five of the six recommendations remain open.

This section details the results of our evaluation of OPM's processing of initial retirement claim applications. According to Retirement Services' management, Retirement Services has made some progress to improve the average processing time and the retirement claims processing backlog. However, we determined that the targets for these measures have not been consistently met since the GAO report was issued in 2019. Retirement Services continues to face the same obstacles discussed in the GAO report with its largely paper-based process and the system modernization project being years from completion. Below, we discuss areas that if addressed can improve the processing of initial retirement claim applications.

## 1. Improvements Needed Regarding Monthly Agency Audit Reports.

To gain an understanding of Retirement Services' internal processes regarding its *Agency Audit Report*, we:

- Reviewed the *Agency Retirement Application Audit Standard Operating Procedures (SOP);*

- Walked through the initial retirement claims application process at the Retirement Operations Center (ROC) located in Boyers, Pennsylvania; and

- Conducted a survey of Benefits Officers and payroll providers.

We found that the *SOP*, effective March 2019, did not contain procedures on how management would perform ongoing monitoring or separate quality control reviews of the errors included in its *Agency Audit Report*.

Based on the lack of quality control procedures, we conducted an in-person walkthrough of the initial retirement claims application process at OPM's ROC in Boyers, Pennsylvania. The walkthrough was conducted to observe the actual process from the time an initial retirement application package is received until adjudication. We wanted to identify at which point Retirement Services counts and holds unhealthy application packages (i.e., with missing, or discrepant information), how Retirement Services fixes errors, and where quality control measures exist in the process. The walkthrough began in the screening area, where physical, paper cases are received from agencies every night and are pre-assembled. We then observed each step of the process as the paper cases were moved through the stages of the adjudication process until it was ready for payment.

After the walkthrough, we held follow-up meetings with Retirement Services officials in which they confirmed no quality control measures exist for its Agency Audit Report. We also wanted to obtain agency Benefits Officers' and payroll providers' opinions and views on their roles and support provided by Retirement Services, the monthly *Agency Audit Report*, agency specific needs, and suggestions for improvement. We surveyed the agency's Benefits Officers and payroll providers to solicit their feedback.

Below is a summary of the feedback we received:

- Overall, the responses were positive as the respondents valued when Retirement Services reached out about cases to resolve missing or discrepant information. Both the Benefits Officers and payroll providers took ownership for the actual errors that were captured and reported. The errors reported were helpful to identify areas for improvement as the agencies are using the errors reported to meet with their staff to confirm or refute the error, update their retirement policies, procedures, and checklists, and update their training and retirement counseling.

- Twenty-six of the 28 Benefits Officers (93 percent) indicated that they received and reviewed the *Agency Audit Report*. The remaining two of the 28 Benefits Officers indicated that they did not review and/or receive the *Agency Audit Report*.

  - Eighteen (18) of the 28 Benefits Officers (64.3 percent) found the monthly audit report useful. The Benefits Officers explained that when actual errors are identified, they are useful and can be addressed.

- Only three of the seven payroll providers (43 percent) indicated that they received and reviewed the *Agency Audit Report*. The remaining four of the seven payroll providers (57 percent) did not receive or review the report.

  - Two of the three payroll providers who did receive and review the report found the monthly audit report useful. The payroll providers explained that payroll errors are very straightforward when actual errors are identified, they can be addressed. A general concern from the payroll providers was the need for Retirement Services to provide more payroll specific guidance, training, and communications.

- The 22 of the 28 Benefits Officers (79 percent) indicated reaching out to an OPM Benefits Officer liaison about the retirement claims process or with a specific concern regarding the monthly *Agency Audit Report*. The Benefits Officers expressed having a good relationship with their respective BOLD liaison, mentioning that they can

communicate with Retirement Services to obtain guidance and assistance. However, improvements are needed to define errors for consistency and to make a Microsoft Excel spreadsheet available for quicker sorting to provide applicable errors to its subcomponents.

For some agencies, the error rate is used in performance appraisals as a performance goal for their employees, which is different from the intent identified by Retirement Services officials. The Benefits Officers and payroll providers expressed frustration that they are spending a lot of time verifying and researching errors included in the monthly *Agency Audit Report*. The respondents added that OPM does nothing to change inaccurate errors or errors that belong to another agency, and that the error rate reported online is not always accurate. The report is being posted online with government-wide comparisons and distributed to senior officials with inaccuracies. The respondents believe that Retirement Services should incorporate feedback from the Benefits Officers and payroll providers when errors can be proven incorrect. In addition, both the Benefits Officers and payroll providers expressed the need for Retirement Services to move to an electronic process.

We included one open-ended question in the survey below, which provided both the Benefits Officers and payroll providers with the opportunity to provide additional comments relating to healthy retirement claim application packages.

- What areas (if any) do you believe can be improved to ensure "healthy" retirement claim applications are submitted?

The respondents [all 28 Benefits Officers (100 percent) and six of the seven payroll providers (86 percent)] provided comments identifying areas of improvement to ensure healthy retirement claim application packages are submitted by agencies. The areas of improvements needed by Retirement Services include:

- Increase Communication: The Benefits Officers indicated that the BOLD liaisons are doing an excellent job. However, the respondents indicated that trying to contact Retirement Services to discuss its monthly *Agency Audit Report* and the status of application packages is very difficult. Agencies are providing feedback about inaccurate errors, but respondents then hear nothing back from RS. In addition, respondents indicated that agencies do not have a direct contact to check the status of application packages.

- Improve Training: The Benefits Officers felt that Retirement Services could provide specific guidance and training on individual retirement cases dealing with FEHB

program, FEGLI, marriage certificates, and complex court involved cases. The payroll providers wanted payroll specific guidance and training; and

- Move to an electronic application and case status environment: According to the respondents, Retirement Services needs to move to an electronic process and away from the paper-based process. The respondents believe that the electronic application and case status system would assist in preventing lost paper application packages in transit from agencies to OPM and provide the agencies with the ability to track the status of application packages.

In addition to the results of our survey, we determined that the title of Retirement Services' *Agency Audit Report* gives the impression that these errors are identified through an auditing process. An audit should follow guidelines and standards contained in the GAO *Government Auditing Standards* (GAO-21-368G, April 2021). Auditors of federal, state, and local government programs use these standards to perform audits and produce audit reports. The monthly *Agency Audit Report* is not an audit or generated pursuant to an audit. The title also inappropriately conveys a measure of assurance. The *Agency Audit Report* should be appropriately titled to convey what the report contains, which is error rates of retirement application packages.

If Retirement Services wants its monthly *Agency Audit Report* to result in a reduction in the error rate of unhealthy application packages, it needs to implement quality control measures as part of its process to produce the report and increase communication with agencies Benefits Officers and payroll providers to ensure they understand the current issues at the agency level. In addition, Retirement Services needs to appropriately title its monthly *Agency Audit Report* to convey what the report contains.

**Recommendation 1**

We recommend that the Retirement Services' Associate Director establish quality control measures to ensure complete and accurate errors are captured and reported in the monthly *Agency Audit Report*.

**Management Response:**

Retirement Services' management concurred with the recommendation. According to Retirement Services' management, the new internal controls will be created based upon the 'to be' *Agency Audit Report* and is linked to Recommendation 3.

<u>**Recommendation 2**</u>

We recommend that the Retirement Services' Associate Director appropriately title the monthly *Agency Audit Report.*

<u>**Management Response:**</u>

Retirement Services' management concurred with the recommendation. Retirement Services' management will rename the report based upon input from the collaborative working group to be established based on Recommendation 3.

<u>**Recommendation 3**</u>

We recommend that the Retirement Services' Associate Director assemble a working group with both Benefits Officers and payroll providers to improve the communications and effectiveness of the monthly *Agency Audit Report*.

<u>**Management Response:**</u>

Retirement Services' management concurred with the recommendation.

## 2. Improved Transparency is Needed in Reporting Retirement Application Processing Times

In the 2019 GAO report on application processing times, Retirement Services identified, "incomplete applications" as one of the main causes for not meeting its goal for processing retirement applications within 60 days.

During our evaluation, we requested that Retirement Services manually provide average processing times for a small sample of healthy and unhealthy completed application packages. We received data on a total of 20 application packages, which included 10 healthy cases and 10 unhealthy cases. We selected a judgmental sample based on those applications with the same finalized payment dates. Our sample included six healthy application packages and seven unhealthy application packages.

Retirement Services provided us with data for each application package that included the "create date," which is the date the Data Exchange Gateway was received; the "aging date," which is the date when the paper retirement application package was received; and the final

"payment date," which is the date when the first recurring payment was made.[1] Retirement Services also calculated the processing time (in days) that we used to determine the average number of days for our sample. We found that healthy application packages took on average 53 days to process for final payment, and unhealthy application packages took on average over 108 days to process for final payment.

Table 1 below shows the average processing time for our sample of six healthy application packages provided by Retirement Services

| Table 1 – Processing Times for the Sample of Healthy Application Packages | | | | |
|---|---|---|---|---|
| Case Number | Create Date | Aging Date | Payment Date | Processing Time (in Days) |
| 1 | 2/3/2023 | 2/10/2023 | 4/12/2023 | 62 |
| 2 | 2/7/2023 | 2/9/2023 | 4/12/2023 | 63 |
| 3 | 1/25/2023 | 2/7/2023 | 3/29/2023 | 51 |
| 4 | 3/10/2023 | 3/14/2023 | 4/4/2023 | 22 |
| 5 | 2/22/2023 | 2/24/2023 | 4/26/2023 | 62 |
| 6 | 2/24/2023 | 2/28/2023 | 4/26/2023 | 58 |
| Average days to process healthy application packages [sum of processing time (in days) divided by the number of cases selected] | | | | 53 |

Source: OIG Analysis of Judgmental Sample Selection of Healthy Application Packages

Table 2 below shows the average processing time for our sample of seven unhealthy application packages provided by Retirement Services.

| Table 2 – Processing Times for the Sample of Unhealthy Application Packages | | | | |
|---|---|---|---|---|
| Case Number | Create Date | Aging Date | Payment Date | Processing Time (in Days) |
| 1 | 1/25/2023 | 2/7/2023 | 4/12/2023 | 65 |
| 2 | 11/22/2022 | 11/25/2022 | 4/12/2023 | 139 |
| 3 | 1/23/2023 | 2/1/2023 | 4/12/2023 | 71 |
| 4 | 1/25/2023 | 1/27/2023 | 3/29/2023 | 62 |
| 5 | 1/11/2023 | 1/19/2023 | 4/4/2023 | 76 |
| 6 | 8/18/2022 | 8/19/2022 | 4/26/2023 | 251 |
| 7 | 1/26/2023 | 1/26/2023 | 4/26/2023 | 91 |
| Average days to process unhealthy application packages [sum of processing time (in days) divided by the number of cases selected] | | | | 108 |

Source: OIG Analysis of Judgmental Sample Selection of Unhealthy Application Packages

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[1] The Data Exchange Gateway is a method for agencies, payroll offices, and shared service centers to electronically transmit data to RS.

Retirement Services needs to improve transparency in reporting application processing times. Specifically, Retirement Services needs to show the disparity in processing times between healthy and unhealthy retirement application packages.

In the *Standards for Internal Control in the Federal Government*, September 2014, GAO states that management should externally communicate the necessary quality information to achieve its objectives. Quality information is appropriate, current, complete, accurate, accessible, and provided on a timely basis.[2]

Retirement Services currently reports on OPM's website retirement statistics including total claims received, total claims processed, and inventory with the monthly and year-to-date average processing time (in days). However, Retirement Services does not track or report the average processing times for claims paid based on if the application packages were healthy versus unhealthy.

The lack of transparency for healthy versus unhealthy "incomplete" application packages limits the quality of information being provided to external parties as the main cause for why Retirement Services has not met its goal for processing retirement application packages within 60 days.

## Recommendation 4

We recommend that the Retirement Services' Associate Director improve the transparency in reporting application processing times by developing a process to track and report application processing times based on healthy application packages versus unhealthy application packages.

## Management Response:

Retirement Services' management concurred with the intent of this recommendation. However, Retirement Services' current technology prevents it from tracking completion times based on the health status of retirement application packages. Retirement Services and the Office of the Chief Information Officer leadership are working together on Retirement Services' Information Technology (IT) modernization initiatives. One such initiative would be to establish a means to accept retirement applications electronically and to reject unhealthy submissions. Retirement Services is committed to modernizing its IT

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[2] United States Government Accountability Office *Standards for Internal Controls in the Federal Government* (GAO-14-704G, September 2014), pages 58, 60, and 62.

initiatives and is currently working with OPM leadership to prioritize and identify funding for fiscal year (FY) 2024 and beyond.

## 3. GAO's Recommendations Remain Open

GAO performs a range of oversight-, insight-, and foresight-related work, including evaluations of federal programs, policies, operations, and performance to help Congress make effective policy, funding, and oversight decisions.  As previously stated, GAO's report on OPM actions needed to improve the retirement claims application processing times (GAO-19-217) included six recommendations.  Table 3 below and on the next page includes a list and status of the GAO recommendations made.  A recommendation remains open until it has either (1) been implemented by the agency or steps have been taken that meet the intent of the recommendation or (2) the recommendation is no longer relevant due to changing circumstances.  GAO marks the recommendation as closed once either of these conditions are met.

| Table 3 - GAO Recommendations and Current Status | |
| --- | --- |
| **Recommendation** | **Status** |
| 1.  The Associate Director of OPM's Retirement Services, working in coordination with the Chief Information Officer, should develop, document, and implement a Retirement Services' IT modernization plan for initial project phases that is consistent with key aspects of IT project management, such as determining objectives, costs, and time frames for each initial phase. | Open |
| 2.  The Associate Director of OPM's Retirement Services should adopt management practices to enhance the use of performance information on processing timeliness to inform how OPM manages operations, identifies problem areas, and allocates resources.  For example, OPM could enhance use of performance measures at the operational level or establish a timeliness performance goal for reviewing disability retirement eligibility. | Open |
| 3.  The Associate Director of OPM's Retirement Services should provide explanatory information, such as the range of processing times and the exclusion of disability retirement eligibility determinations, as part of the performance measure on processing times. | Closed |

| Table 3 - GAO Recommendations and Current Status | |
|---|---|
| **Recommendation** | **Status** |
| 4. The Associate Director of OPM's Retirement Services should develop and implement policies and procedures for assessing strategies intended to improve processing times, including collecting data needed to support those strategies, such as collecting better productivity data of staffing data and linking them to processing outcomes. | Open |
| 5. The Associate Director of OPM's Retirement Services should examine its process for assessing its assistance to agencies on retirement applications. For example, OPM could incorporate into its assessment process more agency feedback or documentation of assessment results, which could improve its partnership with agencies to strengthen the assistance provided. | Open |
| 6. The Associate Director of OPM's Retirement Services should work with agencies to determine if there are cost-effective ways to make the retirement application error report that it sends to agencies more user-friendly. For example, explore whether there are cost-effective ways to provide the error report in a format that could be manipulated (e.g., Excel spreadsheet), or to include additional information, such as incorporating disability retirement applications or providing clearer descriptions of errors or trend data, some of which OPM already collects. | Open |

Source: Status of GAO recommendation provided by Retirement Services.

As previously indicated, only one of the six GAO recommendations has been closed, as of June 5, 2023. We found that Retirement Services is still working with GAO to close the five remaining open recommendations. GAO has issued two sets of supplemental questions since their report was issued, and Retirement Services expects to respond to the second set of questions and continue dialog to close these recommendations. We reviewed Retirement Services' responses to address GAO first set of questions on the recommendations.

Retirement Services has not made significant progress in addressing the three root causes that were identified in GAO's report. During our evaluation we found the status of each of the root causes as follows:

1. The Continuing Reliance on Paper-based Applications and Manual Processing. The retirement application process is not currently automated, the online retirement

application is still in the early stages of development, and the entire retirement application process is paper and manually intensive.  The time it takes for Retirement Services to process retirement claims is often longer than customers would expect and Retirement Services' stated goal of 60 days.  Retirement Services is currently working on piloting the Online Retirement Application with a small number of agencies.  OPM is also hoping to invest in a case management system that would facilitate electronic filing and is exploring ways to fund this needed system.  Expanding the services available online is particularly important given the demand for telephone assistance from OPM.  OPM could reduce the need for annuitants to call the agency by enabling annuitants to access more tasks and information online.

2.  <u>Insufficient Staffing Capacity</u>.  During the surge period of work, Retirement Services uses data from operational reports in the surge plan, overtime, and outside resources from other agencies to augment workload.  Throughout the year, Retirement Services uses the operational reports to monitor workloads levels to shift resources as needed, which can include priorities shifting and/or budgetary restraints.  This approach is discussed on a weekly basis during weekly operational manager meetings.  However, Retirement Services still does not know how much additional staff would be needed to meet its processing goal or reduce the overall inventory of unprocessed applications to its targeted steady state goal.

3.  <u>Incomplete Application Packages</u>.  Retirement Services has not made improvements regarding its monthly *Agency Audit Report* (as reported in finding 1, Improvements Needed Regarding Monthly *Agency Audit Reports*).

OMB Circular No. A-50 Revised, effective September 29, 1982, provides the policies and procedures for executive agencies when considering reports issued by the Inspectors General, other executive branch audit organizations, GAO, and non-federal auditors where follow-up is necessary.[3]  The Circular defines the roles of agency heads, management officials, audit follow-up Officials, Inspectors General, and GAO in resolving any recommendations.  The Circular states that "agencies shall assign a high priority to the resolution of audit recommendations and to corrective action."[4]  The Circular also includes additional requirements that apply to GAO reports.  One of the special requirements is that:

> "Resolution shall be made within a maximum of six months after issuance of a final report or, in the case of audits performed by non-federal auditors, six months after receipt of the report by the Federal Government.  Corrective action should proceed as rapidly as possible."[5]

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[3] OMB Circular No. A-50 Revised (September 29, 1982), page 1.
[4] *Ibid*, page 3.
[5] *Ibid*, page 4.

Retirement Services officials cite lack of funding, time, and resources as reasons why these recommendations remain open.

Fully implementing these GAO open recommendations and our five recommendations could significantly improve Retirement Services' operations in processing of initial retirement claim applications, Retirement Services' assistance to agencies for submitting more complete and accurate application packages, and applicants' frustrations with the amount of time Retirement Services is taking to review and process retirement application packages.

**Recommendation 5**

We recommend that the Retirement Services' Associate Director prioritize and allocate additional resources to close out the open GAO recommendations.

**Management Response:**

"Retirement Services is committed to prioritizing and allocating additional resources to close out the open GAO recommendations. Retirement Services is in the process of gathering responses to the second set of supplemental questions. However, some of the issues have already been addressed such as implementing a 45-day timeliness goal. Also, Retirement Services has implemented new policies and procedures to improve processing times. Retirement Services' management meets weekly to access the new process and discuss obstacles, roadblocks, and bottlenecks.

Retirement Services has conducted several meetings with Benefits Officers and payroll providers regarding the retirement application error reports. However, Retirement Services plans to establish a collaborative working group with the agencies to improve the communication and effectiveness of the monthly retirement application error report.

Retirement Services and CIO leadership are working on modernization initiatives. As mentioned, one such initiative would establish a means to accept retirement applications electronically. Retirement Services has already put into operation a process to receive electronic data from one payroll center. Retirement Services remains committed to modernizing Retirement Services' IT and is currently working with OPM leadership to prioritize and identify funding. Retirement Services has delivered an IT Roadmap and the costs have been assessed through FY 2028."

# APPENDIX A:  SCOPE AND METHODOLOGY

We conducted this evaluation in accordance with the *Quality Standards for Inspection and Evaluation*, December 2020, approved by the Council of the Inspectors General on Integrity and Efficiency.

The objective of this evaluation was to determine what (1) progress Retirement Services has made in improving the timeliness of initial retirement claims processing since the GAO report and (2) obstacles do Retirement Services continue to face in meeting its timeliness and inventory goals for processing initial retirement claim applications.

We conducted our fieldwork from October 2022 and June 2023 through Retirement Services' headquarters located at the Theodore Roosevelt Federal Building in Washington, D.C.  In addition, we visited and obtained information from the Retirement Operations Center (ROC) located in Boyers, Pennsylvania.

Our evaluation included information and statistics from FY 2022.  Other periods were used as deemed necessary to satisfy the evaluation objective.

As part of the planning phase of this evaluation, we met with key officials responsible for the management and oversight of Retirement Services' processing of initial retirement claim application packages to gain an understanding of its current state, surrounding activities, and communications.  We gathered information to verify operations and obtained statistics to identify trends.  We also reviewed federal guidelines as well as OPM policies and procedures relevant to the development and implementation of OPM's Retirement Services' processing of initial retirement claim application packages.  We examined reports and other documentation received to identify leads and areas of concern.  Our results are limited by the scope and methodology that we employed to meet our evaluation objectives and not to verify Retirement Services' past conditions or predict future actions.

To answer our objective, we performed the following procedures:

- Met with Retirement Services' officials responsible for the processing of initial retirement claim application packages to gain an understanding of its current state and surrounding activities;

- Obtained clarification and factual information on the processing of initial retirement claim application packages;

- Gathered operational information to review laws, regulations, Retirement Benefits Administration and Issuance Letters, the Civil Service Retirement System and *Federal*

*Employees Retirement System Handbook*, as well as OPM policies and procedures relevant to the initial retirement claim applications process as well as guidance and instructions disseminated to agencies and employees who are ready to retire;

- Walked through the ROC in Boyers, Pennsylvania, to observe the actual process from the time an initial retirement application package is received until adjudication and discussions with the Retirement Services' teams involved;

- Analyzed Retirement Services' staffing level needs (to include staffing level, overtime, surge staff, and Tiger teams) to identify and match shortages during periods where obstacles exist; and

- Analyzed the timeliness data for healthy versus unhealthy retirement claim application packages. We requested Retirement Services manually provide data on the average processing times for a small sample of healthy and unhealthy completed application packages. We received a total of 20 application packages, which included 10 healthy cases and 10 unhealthy cases. We selected a judgmental sample based on those application packages with the same finalized payment dates. Our sample included data on six healthy application packages and seven unhealthy application packages.

In addition, we selected a sample of Benefits Officers and payroll providers to survey so that we could obtain an understanding of the part they play in processing of retirement claim application packages, focusing on three main areas: (1) roles and support, (2) Retirement Services' monthly *Agency Audit Report*, and (3) agency specific needs and suggestions for improvement. We used the results of our samples to assist in developing the conclusions and recommendations for finding one of this report. The sample selection is described below:

- We selected a judgmental sample of 32 out of the 88 employing agencies, including subagencies that submitted retirement application packages during FY 2022. We selected all 24 Chief Human Capital Officer (CHCO) agencies and the top five non-CHCO agencies that submitted application packages for FY 2022. In addition, we selected three CHCO subagencies that submitted retirement application packages during FY 2022.

- We selected all eight payroll providers who covered the employing agencies.

To improve our response rate, we called the 32 Benefits Officers and 8 payroll providers between March 20, 2023, and April 3, 2023. We spoke to 28 of the 32 Benefits Officers and seven of the eight payroll providers, for an overall response rate of 88 percent.

We determined the data we used to support the findings, conclusions, and recommendations was reliable. The evidence obtained provides a reasonable basis for our findings and conclusions based upon our objective.

**UNITED STATES OFFICE OF PERSONNEL MANAGEMENT**
Washington, DC 20415

Retirement Services

MEMORANDUM FOR:    WILLIAM W. SCOTT, JR
                              Chief, Office of Evaluations

FROM:                   MARGARET P. PEARSON
                              Associate Director, Retirement Services

SUBJECT:         Management Response to OIG Draft Evaluation Report of the U.S. Office Of Personnel Management's Retirement Services Handling of Initial Retirement Claims Applications, 2023-OEI-001

Thank you for providing Retirement Services the opportunity to respond to the Office of the Inspector General (OIG) draft report entitled, *Evaluation of the Office of Personnel Management's Retirement Services' Handling of Initial Retirement Claims Applications*, report number 2023-OEI-001.

Responses to your recommendations including planned corrective actions, as appropriate, are provided below.

**Recommendation 1:** We recommend that the RS Associate Director establish quality control measures to ensure complete and accurate errors are captured and reported in the monthly *Agency Audit Report*.

**Management Response:** Retirement Services (RS) concurs with this recommendation. The new internal controls will be created based upon the 'to be' *Agency Audit Report* and is linked to Recommendation 3.

**Recommendation 2:** We recommend that the RS Associate Director appropriately title the monthly *Agency Audit Report*.

**Management Response:** Retirement Services concurs with this recommendation. We will rename the report based upon input from the collaborative working group to be established based on Recommendation 3.

**Recommendation 3:** We recommend that the RS Associate Director assemble a working group with both Benefits Officers and payroll providers to improve the communications and effectiveness of the monthly *Agency Audit Report*.

**Management Response:** Retirement Services concurs with this recommendation.

**Recommendation 4:** We recommend that the RS Associate Director improve the transparency in reporting application processing times by developing a process to track and report application processing times based on healthy applications versus unhealthy applications.

**Management Response:** Management concurs with the intent of this recommendation; however, our current technology prevents us from tracking completion times based on the health status of retirement applications. Retirement Services and Office of the Chief Information Officer leadership are working together on RS IT modernization initiatives. One such initiative would establish a means to accept retirement applications electronically and to reject unhealthy submissions. RS is committed to modernizing RS IT and is currently working with OPM leadership to prioritize and identify funding for FY 2024 and beyond.

**Recommendation 5:** We recommend that the RS Associate Director prioritize and allocate additional resources to close out the open GAO recommendations.

**Management Response:** RS is committed to prioritizing and allocating additional resources to close out the open GAO recommendations. RS is in the process of gathering responses to the second set of supplemental questions. However, some of the issues have already been addressed such as implementing a 45-day timeliness goal. Also, RS has implemented new policies and procedures to improve processing times. RS management meets weekly to access the new process and discuss obstacles, roadblocks, and bottlenecks.

RS has conducted several meetings with Benefits Officers and payroll providers regarding the retirement application error reports. However, RS plans to establish a collaborative working group with the agencies to improve the communication and effectiveness of the monthly retirement application error report.

Retirement Services and CIO leadership are working on modernization initiatives. One such initiative would establish a means to accept retirement applications electronically. RS has already put into operation a process to receive electronic data from one payroll center. RS remains committed to modernizing RS IT and is currently working with OPM leadership to prioritize and identify funding. RS has delivered an IT Roadmap and the costs have been assessed through fiscal year 2028.

Again, OPM appreciates the opportunity to respond to this draft report. If you have any questions regarding our response, please contact Sandra Mitchell at Sandra.Mitchell@opm.gov.

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